

UNITED STATES DISTRICT COURT  
EASTERN DISTRICT OF MICHIGAN  
SOUTHERN DIVISION

UNITED STATES OF AMERICA,

CRIMINAL NO. 16-cr-20220

Plaintiff,

HON. VICTORIA A. ROBERTS

v.

D-1 CLARA SMITH,

Defendant.

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**GOVERNMENT’S SENTENCING MEMORANDUM**

The United States of America, by and through its attorneys, Barbara L. McQuade, United States Attorney, and J. Michael Buckley and Frances Lee Carlson, Assistant United States Attorneys, submits that for the reasons provided below, a sentence of 37-46 months’ imprisonment, which takes into account the defendant’s cooperation, is sufficient but not greater than necessary to achieve the purposes set forth in 18 U.S.C. § 3553(a)(2).

**I. FACTUAL AND PROCEDURAL HISTORY**

**A. Plea**

On April 28, 2016, the defendant pled guilty pursuant to a plea agreement to one count of conspiracy to commit federal program bribery, in violation of 18

U.S.C. §§ 371 and 666(a)(1)(B). Smith's guilty plea arises from her participation in a conspiracy to accept illegal kickback payments from school supplies vendor and co-conspirator, Norman Shy. The plea agreement recommended the guideline range to be 46-57 months, based on a total offense level 23 and a criminal history category I.

According to the cooperation provisions of the plea agreement, on August 22, 2016, the government filed a motion for downward departure recommending a sentence within the range of 37-46 months.

**B. Facts**

Defendant Clara Smith was employed by Detroit Public Schools ("DPS") as the Principal of Thirkell Elementary/ Middle School ("Thirkell") from 2002 through 2015. DPS maintained a list of pre-approved vendors that were authorized to do business with DPS. As part of her duties, Smith had the discretion to select vendors from the pre-approved DPS vendor list to procure services and supplies for Thirkell. Smith was responsible for certifying, or causing to be certified, that all goods and services were received by Thirkell, which in turn, would cause DPS to issue payment to the vendor.

Norman Shy, doing business as Allstate Sales, Ronan Enterprises, and R.S. Associates, was a pre-approved DPS vendor of school supplies. Sometime prior to February 2009, Smith selected Shy as a vendor for school supplies for Thirkell. At

some point, Smith agreed with Shy to submit purchase orders which included goods that she knew were not going to be delivered to Thirkell and also to knowingly certify fraudulent invoices which included undelivered goods. Smith's actions caused DPS to issue payment to Shy for undelivered goods. In exchange, Smith would receive a "credit" with Shy based on a percentage of the fraudulently-obtained payment Shy received from DPS for undelivered goods. Smith regularly withdrew from her "credit" with Shy by requesting and accepting prepaid gift cards to use as she wished. In order to make his kickback payments appear legitimate, Shy requested that Smith provide him with letters requesting gift cards on behalf of Thirkell, which she willingly did.

Between 2010 and June, 2014, Smith corruptly accepted kickbacks on various occasions. The total amount of kickbacks Smith accepted is approximately \$194, 000.00. Records obtained reveal Smith's purchases made at Art Van Furniture, El-Mar Furs, Delta Airlines, Royal Caribbean Cruises, several restaurants, Caesar's Hotel and Casino in Las Vegas, and other personal expenditures. Additionally, to disguise the nature of the kickback payments, Smith wrote letters requesting co-conspirator Norman Shy to issue personal checks payable to her husband, to her daughter, and to various businesses or stores to pay for personal items she had purchased. Smith also requested Shy to write checks to credit card companies to pay her personal credit card bills, which Shy did.

### **III. SENTENCING GUIDELINE CALCULATIONS**

As reflected in the plea agreement, the parties anticipated a guideline range of 46-57 months based on a total offense level of 23. The probation department calculated a guideline range of 70-87 months based on a total offense level of 27, although the statutory maximum is 60 months. The difference in calculation is due to the fact that the probation department applied a four-level increase pursuant to USSG § 2C1.1(b)(3), reasoning that the offense involved a public official in a high-level decision-making position.

As the Court is aware, on August 22, 2016, the government filed a motion for downward departure recommending a sentence between 37– 46 months based on Smith’s cooperation. As a result, if the Court grants the motion, the inconsistency in calculations would likely be moot.

### **IV. SECTION 3553(a) SENTENCING FACTORS**

In determining the appropriate sentence, the Court should not simply rely on the Guideline calculations, but should consider all of the factors in the Sentencing Reform Act and, in particular, those set forth in 18 U.S.C. § 3553(a). These factors include (i) the nature and circumstances of the offense, and the history and characteristics of the defendant; (ii) the need for the sentence imposed to reflect the seriousness of the offense, promote respect for the law, and provide just

punishment for the offense, and (iii) the need for the sentence imposed to afford adequate deterrence to criminal conduct.

In this case, absent the government's motion for downward departure, a guideline sentence is warranted. However, because the defendant did cooperate with the government, a sentence below the guideline range is appropriate.

**A. Nature and Circumstances of the Offense**

This fraud on DPS and the children of Detroit was a very serious offense. The struggles of DPS have been well-documented in the media: deplorable building conditions; teacher shortages; severe lack of school supplies and equipment; overcrowded classrooms; lack of funding. The list is long. Smith, as principal of Thirkell, was entrusted with the responsibility of ensuring that the students at her school were receiving every educational tool and benefit available despite the woefully inadequate resources. Smith abused the trust placed in her, and made decisions to do business with vendor Norman Shy, motivated by what she *personally* stood to gain, instead of what was best for her students.

As outlined above, kickback payments in the forms of checks to family vendors and to businesses, as well as financial records prove that Smith spent the kickbacks she received on herself: *inter alia*, on cruises, airline expenses, and at casinos. However, the extent to which Smith characterizes her motivation as altruistic (that she fraudulently accepted a portion of the kickbacks from Shy to use

“for the kids”) is irrelevant. Although the Sixth Circuit has not confronted this issue, other federal circuits have had the opportunity to address similar arguments. Federal circuit courts have resoundingly declined to consider personal profit motives—or lack thereof—when imposing sentences.

In *United States v. Seacott*, a district court’s departure from the recommended guidelines because the defendant’s motive was not for “self-gain” was reversed. 15 F.3d 1380, 1386 (7th Cir. 1994). Although the district court reasoned that the guidelines did not adequately take into consideration why a defendant would misapply funds, the Seventh Circuit held that an alleged positive motive was “legally insufficient” to warrant a downward departure. *Id.* at 1387. The Court explained that when the drafters of the Guidelines were concerned with adjustment based on profit motive they were careful to specifically direct courts to consider the defendant’s purpose. *Id.*<sup>1</sup> Most importantly, the Court in *Seacott* recognized:

It makes little difference to the[] victims if [defendants] illegally transfer funds to themselves or third parties, or if they pile up the money in the parking lot and burn it. The same amount of money has been taken from the victim no matter what the fate of the funds.

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<sup>1</sup> For example, citing the offense “Manufacturing Distributing, Advertising, or Possessing an Eavesdropping Device” which directs the court to consider “[i]f the offense was committed for *pecuniary gain*, increase by 3 levels.” U.S.S.G. § 2H3.2(b)(1) (emphasis added).

*Id.*

Other circuits have reached similar conclusions, finding that altruistic motive or lack of pecuniary gain to the defendant is irrelevant in sentencing. In *United States v. Corry*, the defendant argued that she did not experience personal gain from the bank fraud she committed since the money was being used to keep a family business afloat. 206 F.3d 748, 749 (7th Cir. 2000). Again, the Court recognized how irrelevant a charitable motive is: “[T]o the victim, the criminal’s motives are irrelevant. If someone steals your wallet and gives the money in it to the Humane Society, rather than blowing it in Las Vegas, that’s little comfort as you gaze at your empty pocket.” *Id.* at 751. In the Third Circuit, the Court recognized that a defendant is not punished based on who the criminal activity benefits, instead “the Court must focus on the extent of the harm inflicted by the defendant on his victims.” *United States v. Kopp*, 951 F.2d 521, 535-36 (3d Cir. 1991). Similarly, the Eighth Circuit held that a failure to personally recoup proceeds of a fraudulent scheme does not “provide a basis for a more lenient sentence.” *United States v. Felder*, 225 F. App’x 423, 424 (8th Cir. 2007).

Accordingly, the alleged motive for a crime and who receives the proceeds of a fraudulent scheme is irrelevant. Although a sentencing court can consider any factor when considering a downward departure or variance, the federal circuits

have made clear that a defendant's motive in a crime should not be grounds for leniency. Instead, courts should focus on the victims of the crime, and not any possible benefactors.

Even if Smith was accepting fraudulent kickbacks and using the illegal proceeds to help her school, her alleged charity was only made possible by fraud committed against taxpayers and the Detroit Public School System. Smith's attempt to downplay the seriousness of her corrupt acts by claiming she accepted and spent kickbacks on her students ignores the fact that her so-called charitable acts were being directly funded by the crime for which she now stands convicted. This Court should reject Smith's claimed motive for accepting fraudulent kickbacks when considering whether to depart or vary from the Guideline range, and in doing so recognize that charity involves giving away one's *own* money, not money that belongs to others. To find otherwise would sanction the notion that corruptly accepting bribes and kickbacks to spend proceeds as one prefers is not a serious offense.

**B. History and Characteristics of Defendant Smith**

Smith has no criminal history. The PSR provides a detailed account of Smith's personal background.



**C. Seriousness of the Offense, Promoting Respect for the Law, Providing Just Punishment, and Affording Adequate Deterrence**

Smith's corrupt acceptance of kickbacks was not a crime resulting from a single decision or a momentary impulse. She accepted kickbacks in the form of prepaid gift cards over a few year period, totaling \$194,000.00. Smith's conduct was not spontaneous, but, instead, involved careful coordination and planning, and repeated acts of deceit over a number of years.

In prosecutions such as this, the sentence imposed is important to promote respect for the law. Congress enacted 18 U.S.C. § 666 to "protect the integrity of the vast sums of money distributed through Federal programs from theft, fraud, and undue influence by bribery." S. Rep. No. 98-225, p. 370 (1983). The sentence imposed should reflect this purpose. Smith was a public official, and was entrusted to serve the DPS honestly, with the best interests of her school in mind. The spectacle of a school principal corruptly using her position for her own financial benefit or to manipulate the system does untold damage to the faith of our citizens in the education being provided to their children. Undoubtedly, many members of the community are wondering how pervasive this type of corruption is in our educational system.

Given the difficulties of uncovering and prosecuting this type of corruption, the deterrent impact of a prison sentence is also important. The Eleventh Circuit

emphasized the important role that prison sentences have in deterring economic-based crimes in *United States v. Martin* when it recognized that “[b]ecause economic and fraud-based crimes are more rational, cool, and calculated than sudden crimes of passion or opportunity, these crimes are prime candidates for general deterrence.” 455 F.3d 1227, 1240 (11th Cir. 2006)(internal citations omitted). Especially in a public corruption case, it is important to send a message that this type of conduct will not be tolerated, and that the penalties for committing crimes such as these are severe.

### **CONCLUSION**

For all of the above reasons, a sentence of imprisonment within the range of 37– 46 months, is necessary. Such a sentence would serve to adequately punish the defendant for her actions, while taking into account the substantial assistance she provided to the government. In addition, this sentence would promote respect for the law and serve as deterrence for others.

The government further requests that the Court order full restitution, as agreed to by the parties in the plea agreement, in the amount of \$194,000.00 to Detroit Public Schools.

Respectfully submitted,

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Date: August 22, 2016

**CERTIFICATE OF SERVICE**

I hereby certify that on August 22, 2016, I electronically filed the foregoing document with the Clerk of the Court using the ECF system, which will send notification of such filing to the following:

Patrick Cleary  
Attorney for Defendant, Clara Smith

s/J. Michael Buckley  
J. MICHAEL BUCKLEY  
Assistant United States Attorney

Dated: August 22, 2016